

Montgomery Approves Budget With Tax Relief

\$54 Million Cut From Duncan Proposal

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The Montgomery County Council informally approved a 2006 budget yesterday that cuts \$54 million from the ambitious spending plans proposed by County Executive Douglas M. Duncan (D).

It means that for the first time in four years, the council will be in compliance with a charter provision that requires property tax revenue be limited to the previous year's total plus the rate of inflation and other minor factors.

The council reached the charter limit in part by reallocating \$32.5 million from the county's capital improvement budget, which is funded mainly by issuing bonds, to the \$3.05 billion tax-supported operating budget. The council also approved a series of reductions in proposed spending for schools, arts and police hiring.

The budget includes three kinds of tax relief: a 4-cent cut in the property tax rate, which is currently \$1.06 per \$100 assessed value; a \$116 tax credit for all homeowners; and additional relief for those with low incomes.

Duncan, in a statement, was critical of the diversion from the capital budget, calling the council's action "bad public policy. . . . We can't operate the county on a credit card." Such budgetary maneuvers are common, but Duncan's aides charged that the council's decision this year to issue \$25 million in additional debt amounted to "credit card government."

Council President Tom Perez (D-Silver Spring) responded that the county is "borrowing at historically low interest rates. . . . I think that makes sense." Council staffers said Duncan, in his March 15 budget proposal, effectively endorsed an earlier council decision to raise the



BY MARVIN JOSEPH — THE WASHINGTON POST

Council President Tom Perez says reallocating funds "makes sense" because of low interest rates.

In Compliance

To comply with a charter amendment limiting property tax revenue, the Montgomery County Council had to cut \$54 million from County Executive Douglas M. Duncan's proposed 2006 budgets. To help reach the charter limit, the council:

- Diverted \$32.5 million from the capital improvement budget, for tax relief.

- Trimmed Duncan's operating budget by \$21.5 million, including reductions of \$8 million from schools, \$2 million from arts programs and \$1 million from police hiring.

- Identified a series of small budget adjustments, including unanticipated revenue, that saved \$4 million. It reduced the county's reserve by \$3 million.

ending by \$19 million. Yesterday, the council raised it an additional \$6 million.

The unanimous council vote, which is to be formalized Thursday, brings to a close a contentious budget season. In some ways it began last year, when voters rejected a ballot initiative that would have eliminated the council's ability to override the charter cap. Duncan and the council warned that essential services would suffer if voters took away the override option.

For the past three years, as a rising real estate market has driven up assessments and property taxes, the council has exercised the override. In December, however, a majority of the nine-member council declared that it favored obeying the charter limit this year.

Even so, Duncan produced a budget that offered a 2-cent property tax rate cut, accompanied by a spending plan that was the first in a generation to fully fund the budget requests of the school board, the park and planning agency and Montgomery College. It would have required the council to override the limit for a fourth year in a row.

Because Duncan is planning to run for governor, council members privately derided the proposal as a "Christmas tree," designed to please everyone. After he presented his budget, Duncan and some council members proposed broadening tax relief for low-income residents.

The council faced an electorate increasingly appalled at rapidly rising assessments. "My mail ran 50 to 1 for some tax relief, and we listened," council member Nancy Floreen (D-At Large) said in a statement yesterday.

The council got down to the char-

ter limit, notwithstanding campaign rhetoric that associated the ballot measure with doom and gloom.

"We knew that wasn't true, and we proved it," said council member Phil Andrews (D-Gaithersburg), an early proponent of fiscal restraint. Andrews said he and council members Floreen, Michael Knapp (D-Upcounty), Marilyn Praisner (D-Eastern County) and Michael L. Subin (D-At Large) stayed true to the message that the council should cut taxes and spending to reach the limit.

The council squeezed \$8 million from the schools budget, but nearly half of that was the result of revising downward next year's estimated enrollment. It cut about \$2 million from what Duncan wanted to spend on the arts and curtailed his plans to expand the police force, funding 34 new positions instead of 52.

"Our gang initiative has been gutted," Duncan complained in his statement. "We can — and must — do better."

Perez countered that it is "empirically inaccurate to say our gang efforts are somehow hurt by the budget," which funds a center for at-risk youth, a violence prevention coordinator and a "task force sergeant" on the police force.

He said that despite the cuts, this year's tax-supported operating budget represents an increase of 7.7 percent over last year's. The new budget goes into effect July 1.

Perez's colleague Howard A. Denis (Potomac-Bethesda), the council's lone Republican, trotted out an oft-used phrase. He said the budget strikes a balance between "the services we love and the taxes we hate."